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1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

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3 AUA PRIVATE EQUITY PARTNERS,
4 LLC,

Plaintiff,

New York, N.Y.

5 v.

17 Civ. 8035 (GHW)

6 ASTRID SOTO,

7 Defendant.

8 -----x

9 November 6, 2017

10 10:11 a.m.

11 Before:

12 HON. GREGORY H. WOODS,

13 District Judge

14 APPEARANCES

15 SACK & SACK LLP

16 Attorneys for Plaintiff

17 BY: ERIC STERN

MICHAEL MUI

18 KAISER SAURBORN & MAIR, P.C.

19 Attorneys for Defendant

20 BY: DANIEL J. KAISER

21 WILLIAM H. KAISER

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1 THE CLERK: The Court calls the case of AUA Private
2 Equity Partners LLC versus Astrid Soto, case 17 Cv. 8035.

3 Counsel, please state your name for the record

4 MR. STERN: Good morning, your Honor. Eric Stern, and
5 to my left is Michael Mui, of the law firm of Sack & Sack, for
6 the plaintiff.

7 THE COURT: Thank you very much. Good morning.

8 MR. D. KAISER: Good morning, your Honor. Daniel
9 Kaiser, and to my left is William Kaiser, for the defendant
10 Astrid Soto.

11 THE COURT: Good. Thank you very much. Good morning.

12 So we're here for a hearing with respect to
13 plaintiff's motion for a preliminary injunction. I have
14 received the materials that the parties have submitted in
15 connection with this application and have reviewed them.

16 At the outset, let me ask counsel for plaintiff, are
17 you seeking to put on any testimony in addition to the factual
18 affidavits that you presented to the Court in connection with
19 the application?

20 MR. STERN: Only if the Court needs to hear some
21 support for some of the backup evidence. For example, in
22 Ms. Soto's affidavit she claims that she was not at work on
23 September 8th, 2017, one of the days that we allege that she
24 accessed her Google Drive. We have over the weekend received a
25 copy of the security log that reads access when someone uses

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1 their pass code or pass key to access the building. We have a
2 log that confirms that she indeed entered the building on
3 September 8, 2017. If the Court requires somebody to
4 corroborate that or testify to that?

5 The other thing -- the other issues, I believe on the
6 papers Ms. Soto has not been able to demonstrate that she
7 should not be enjoined from using, having, disseminating, or
8 possessing any of that information.

9 THE COURT: Thank you. Let me ask the same question
10 of defendant. Then I would like to highlight a couple of
11 issues that appear to be raised by defendant's submissions and
12 then we can discuss those issues.

13 Counsel for defendant, are you seeking to introduce
14 testimony in support of your defense of this injunctive relief?

15 MR. D. KAISER: Your Honor, only -- I would echo only
16 if your Honor believes it would be useful. Ms. Soto is in the
17 courtroom today for that purpose. She is happy to provide any
18 sort of testimony in addition to her affidavit that would be
19 helpful to the Court. If there are any unanswered questions by
20 her affidavit, for example, she is happy to provide that
21 information. That's why she is here today.

22 I would just add very quickly, your Honor, with regard
23 to this issue of September 8th, her absolute memory was that
24 she was not in the office that day. She in fact invited -- in
25 her affidavit said check with building security and they'll

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1 show that I wasn't in the building that day. So that is her
2 memory. I don't know what they are talking about in terms of,
3 you know, I guess it would have to be authenticated and
4 whatever, but I just want the Court to know that she put that
5 in there because that was her express memory. And she in fact
6 invited them, which I guess they took her up on, to go check
7 with the building security. So if you need to hear from her is
8 I guess my point on that issue, I'm happy to have her testify
9 to the Court, because there is certainly no -- you know, there
10 was no effort on her part to mislead anyone or to mislead the
11 Court. That is her memory, that she was not there on that day.

12 THE COURT: Thank you. That's fine. I don't expect
13 to focus on that particular issue. I should note that
14 providing sworn testimony is a serious issue but not one that I
15 expect to focus on during today's hearing.

16 Counsel for plaintiff, there are a couple of factual
17 issues that defendant's submission raises. First is the --
18 relates principally to Ms. Soto's asserted use of the
19 materials. At the prior conference I had the understanding
20 that Ms. Soto had forwarded the materials to Ms. Kulaga --
21 whose name I did not have, to Ms. Kulaga, K-u-l-a-g-a --
22 outside of the term of Ms. Kulaga's employ. What I take from
23 the parties submissions now is that the emails that bcc'd Ms.
24 Kulaga, which you are aware, were bcc'd to her during the term
25 of Ms. Kulaga's employ. Do you have information about that?

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1 MR. STERN: Yes, your Honor. A couple of things.
2 First of all, we believe that notwithstanding the fact that
3 there was no reason for her to be sending out emails to
4 Ms. Kulaga that were also sent to her Gmail account, we believe
5 that Ms. Kulaga also received those emails on her Gmail
6 account, on her personal account, which is still a violation.

7 Second of all, there are certain emails that plaintiff
8 did not address in her affidavit. And the overall
9 characterization of the plaintiff's affidavit is admission to
10 having and disseminating this information and that her
11 arguments regarding use of that information to preserve or to
12 make a claim for discrimination fail because there is no such
13 rule in New York. The only case they cited was a Western
14 District of Texas. And, second of all, most of the emails, and
15 certainly a significant number of the sensitive emails, were
16 sent prior to any of the allegations that she claims arose
17 regarding her discrimination, which I think she says happened
18 in 2017, and a lot of the emails were sent prior to that.

19 So I think that whether Ms. Kulaga received those
20 emails or whether it was during Ms. Kulaga's employment, they
21 still were sent to Ms. Kulaga's personal email, they still were
22 sent to Ms. Soto's personal Gmail, and she had no business
23 sending any of this information to herself or to Ms. Kulaga.

24 THE COURT: Thank you. Do I take it from that that
25 you have no evidence that Ms. Soto forwarded information to

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1 Ms. Kulaga at a time when Ms. Kulaga was not herself an
2 employee of AUA?

3 MR. STERN: That's correct.

4 THE COURT: Thank you. Now, you've just made some
5 statements about the timing of certain of the submissions that
6 were sent to -- certain of the I'll call it confidential
7 submissions that were forwarded to the Gmail account. In your
8 motion, you refer to two specific emails that contained what
9 you assert to be trade secrets. Those are the April 6, 2016
10 email and the May 2, 2016 email.

11 Are there any other emails or other transmissions that
12 you point me to other than those in which -- or I should say
13 later than those in which Ms. Soto transmits trade secret
14 information?

15 MR. STERN: Other than what was depicted or referenced
16 in our original motions, I don't believe there are additional
17 emails that we have -- that we are referencing.

18 I will point out that on page 12 of Ms. Soto's
19 affidavit, which is paragraph 45(IX)(4), she references a 2016
20 investor -- annual investor meeting, some of the detailed
21 information, but she denies sending it. But we have
22 information that the information that she's referencing in her
23 affidavit actually was sent, and she does not at all
24 reference --

25 THE COURT: That's the Master --

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1 MR. STERN: The Master Dashboard. She does not
2 reference it as having it or sending it.

3 THE COURT: Thank you. I noticed that.

4 Are there later transmissions of trade secrets that
5 you would point me to of which there is evidence at this time?

6 MR. STERN: When your Honor says --

7 THE COURT: Dated after May 2, 2016.

8 MR. STERN: When your Honor references "trade
9 secrets," am I to presume that is there is a distinction
10 between that and confidential information?

11 THE COURT: Yes, and I'll be very clear. The only
12 basis for federal jurisdiction in this case is the Defend Trade
13 Secrets Act, which, as we discussed at our last conference, was
14 effective on May 11, 2016. In your materials you have not
15 pointed me to any facts regarding transmissions of trade
16 secrets that happened after that date. I inquired about it
17 during our prior conference, and you told me that there are a
18 number of transmissions, I think you said 40-odd emails.

19 Here I have additional information. I'm not raising
20 it in a way that will lead to possible dismissal of the case
21 based on this colloquy, but I inquire because of the fact that
22 this is, as I understand it, the only basis for the Court's
23 subject matter jurisdiction in this case

24 MR. STERN: I think that there are several emails sent
25 in March of 2017, April and August of 2017 that contain

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1 information regarding customers, information regarding
2 investments, information regarding company product and company
3 secrets, regarding what the company is interested in investing,
4 what the company has been investing in. I think that --

5 THE COURT: Good. That's fine. And I will -- I may
6 ask for further inquiry by the parties on this question but I
7 just ask largely out of curiosity.

8 What is your argument, counsel for plaintiff,
9 regarding defendant's asserted use of these materials?
10 According to her affidavit, she concedes that she forwarded
11 information. She does not specifically refute the assertion in
12 the Benyaminy affidavit regarding the Master Dashboard, but she
13 says that she hasn't used any of those materials for any
14 purpose. What is your argument regarding how it is that she
15 has used those materials both for purposes of potential
16 violations of the federal and state trade secrets laws and
17 potential violations of her contractual obligations?

18 MR. STERN: I think that there are inevitable
19 disclosure doctrines and provisions where she has information
20 that she shouldn't have and that having that information
21 improperly is in violation of those laws. I think, more
22 importantly, is when you look at the balance of the equities
23 portion of an injunction, I think -- I can't see a single
24 reason that the equities should balance in her favor by having
25 this information.

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1 THE COURT: Thank you. So you're not making an
2 argument that you have a likelihood of success on the merits
3 with respect to use; instead you're saying your substantial
4 question and that the equities balance in your favor?

5 MR. STERN: I think that the fact that she had that
6 information wrongfully, we can presume that it is going to be
7 used improperly. Different than the cases that they've cited.
8 The cases that they've cited where injunctions were denied on
9 this very issue were regarding the successor corporations that
10 were being sued and dragged into the lawsuit, and there was no
11 proof in that case that the successor corporations received
12 that information. For example, in the case that they cited,
13 Free Country LTD v. Drennen, and that is 235 F.Supp. 3d 559,
14 they cite that case for the proposition that a plaintiff could
15 not demonstrate that proprietary information was not used for
16 an improper purpose and was not likely to be improperly used,
17 that the DTSA was not violated and that plaintiff was not
18 entitled to preliminary injunction. That's what they cite in
19 their papers, but in that case the individual defendants that
20 had already taken that information were already enjoined from
21 using it, and the only question in that case was whether or not
22 the successor corporation that they were going to join was
23 going -- they had not demonstrated that that successor
24 corporation had received that information.

25 But I think that when the former employee has that

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1 information improperly and has no use for that information and
2 that information has been breached by having that information
3 and transferring it to her, we've already -- and for her to
4 admit that she received that information and emailed it to
5 herself, we've already succeeded on the merits in respect of
6 the --

7 THE COURT: I'm sorry. Why do you say that you've
8 succeeded by the fact that she transferred it to herself? Are
9 you referring to the company policy document that prohibits
10 transmission of information --

11 MR. STERN: Right.

12 THE COURT: -- to emails other than the company's
13 email system?

14 MR. STERN: She has an obligation to not have this
15 information, to not send it to herself, to not possess it, and
16 she indeed possesses it. And to this point --

17 THE COURT: Let me ask about that because it's not
18 clear what provisions of the contract that you're pointing to
19 in making that argument. The contracts -- the offer letter
20 contains an agreement that the material is confidential and
21 proprietary, etc., and contains an agreement that the employee
22 will not "use such information for other reason other than to
23 further the business of AUA and its affiliates." And that's
24 why I ask about what your argument is regarding the improper
25 use of these materials based on the facts that are in front of

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1 me.

2 MR. STERN: Well, I think that the fact that she has
3 this information and there is no -- and it is of no use, I
4 think the Court can in this situation, for our ability to have
5 to prove that she already used this information is not the --
6 is not the test for us to receive an injunction from her to use
7 it or to have it. She has it wrongfully and she has no use for
8 having that information. The only use she would have for that
9 information is to improperly disclose it. If she doesn't
10 destroy it or return it I think would be enough for this Court
11 to stop her from having it. She has not demonstrated any use
12 or need for it, and I think that the fact that she hasn't used
13 it yet is not a test of whether or not we're entitled to stop
14 her from actually having it.

15 THE COURT: Thank you, or using it. I think those are
16 different questions.

17 Let me ask again about Ms. Kulaga. We've talked about
18 the timing of the email to her and the question of whether she
19 was employed by AUA at the time. Are you aware of any other
20 emails that copied non-AUA third parties other than the
21 defendant herself?

22 MR. STERN: At this preliminary stage, we have not --
23 we have not conducted forensics studies and examinations on her
24 electronic devices. So, this is all from a preliminary IT
25 attempt to discover what has been forwarded and left the

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1 company.

2 THE COURT: Thank you. Now, do you contend that by
3 forwarding emails to her personal account Ms. Soto was
4 conducting business?

5 MR. STERN: We don't believe that there was any
6 legitimate business reason for her to have it. The problem is
7 that after -- that argument is defeated by the fact that she
8 hasn't returned it or made efforts to destroy it. Instead, she
9 has refused to do so and here we are.

10 THE COURT: Thank you. Good.

11 Now, with respect to the trade secret argument, what
12 is it, what is the basis for your argument that she improperly
13 used the trade secret? Is it an agreement? Is it a
14 confidential duty or relationship? What is it specifically
15 that she's breached or violated that gives rise to a state
16 trade secret claim?

17 MR. STERN: AUA has, as your Honor has seen,
18 contractual agreements as well as policies, compliance and
19 employee policies, that prevent the dissemination of
20 confidential information and trade secret information from
21 being disseminated by the employees. We take tremendous care
22 in ensuring that each of the employees sign these policies and
23 are aware of these policies. Ms. Soto in her capacity was
24 aware of the impropriety of sending information to herself. I
25 think that the Master Dashboard is exactly the type of trade

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1 secret and client information that can substantially injure the
2 firm. It contains investment opportunities, investor lists,
3 contact information, deal information that the firm has put
4 together through its own resources that is not publicly
5 available by either Ms. Soto or anyone else unless you are in
6 that seat. And the firm has taken tremendous care and
7 responsibility in preventing the disclosure and dissemination
8 of that information. So both from a policy definition and from
9 a common law definition of trade secrets, this information is
10 protected, and the company has demonstrated that it seeks to
11 have that information protected. And the defendant has not
12 established a reason why that information would not be trade
13 secret, and she also has not established a reason why she has a
14 right to have that information and that the dissemination of
15 that information that she has -- and she's already demonstrated
16 that she's sent other emails out to other people -- that that
17 would irreparably harm the company.

18 THE COURT: Thank you.

19 Let me turn to counsel for defendant. Is there
20 anything that you would like to say in response? And then I
21 have a series of questions for you as well.

22 MR. D. KAISER: Sure. First, your Honor, factually,
23 with respect to Ms. Kulaga, because I think that that was the
24 centerpiece of their presentation to your Honor in terms of her
25 forwarding information -- misusing information by forwarding it

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1 to a nonparty, someone who was a former CFO to make the
2 suggestion that she had done that, had forwarded it, you know,
3 beyond the strictures of her employment period.

4 She did not forward any business information of any
5 kind to Ms. Kulaga following Ms. Kulaga's departure. The only
6 information she forwarded to Ms. Kulaga was during Ms. Kulaga's
7 employment, and that was to Ms. Kulaga's AUA email account.
8 Now, I don't know what the evidence is that it went to
9 Ms. Kulaga's private email. I don't know why she would have
10 any reason to do that. I don't know whether Ms. Kulaga
11 forwarded it to her own personal email account. But I want to
12 make that very clear, because that is a central factual
13 allegation and contention.

14 She did not forward any information to Ms. Kulaga
15 other than during the course of Ms. Kulaga's business and other
16 than to her email account, meaning Ms. Kulaga's email account.
17 So there was nothing improper about how she handled information
18 with respect to Ms. Kulaga.

19 Further factually, she did not forward any information
20 to any third party at any time other than during the course of
21 her employment, in the course of doing her duties. I mean,
22 obviously she was dealing with clients and business and
23 obviously you exchange information back and forth with third
24 parties, but she did not forward any information to any third
25 parties improperly at any time. And there is no evidence to

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1 the contrary -- none.

2 As far as her forwarding emails, there being no
3 business purpose for forwarding emails to herself, meaning her
4 Gmail account, there was one period of time -- and, in fact,
5 they disingenuously used this example in their moving papers --
6 before she started, meaning before the commencement of her AUA
7 employment, there was a period of time where she was ramping up
8 and beginning to work for them but she was using a private
9 email account to do that before she got there. And they knew
10 that. They sent emails to her, to her Gmail account, in order
11 to work with her in the runup period to the commencement of her
12 employment. And yet they use that as an example to this Court
13 as her -- as one of her misdeeds.

14 So in fact there were business reasons for using Gmail
15 accounts. There was nothing -- she wasn't using it as a
16 vehicle to disseminate information improperly. It might have
17 been convenient in one circumstance or another. We have in
18 court today, your Honor, an example of an email that was
19 forwarded to -- another AUA employee forwarding an email to
20 their own Gmail account that they then forwarded over to
21 Ms. Soto. So there was nothing improper about any of this
22 conduct.

23 The emails themselves -- and we've taken the time to
24 create a book with those emails, your Honor, so your Honor
25 could see them for himself and you could also look at. And

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1 while she was at it, whatever other emails she could find that
2 went to her Gmail account, and just in the spirit of complete
3 disclosure, we've also included those, meaning others that they
4 didn't even identify that she could find that she forwarded to
5 herself. There is nothing confidential about this stuff.

6 The NDA that they talk about as being a trade secret,
7 it is a form NDA that a client signed. There was no trade
8 secrets. There was no proprietary information.

9 And as far as the Defend Trade Secrets Act, your
10 Honor, it is in fact the case that they have to demonstrate
11 that there was an improper use or -- or -- that it is highly
12 likely that there will be an improper use of this material, you
13 know, but for the extraordinary intervention of a court. And
14 at this preliminary stage they have to demonstrate that by
15 clear and convincing evidence in order to get this
16 extraordinary relief that they are seeking.

17 And there hasn't been any sharing of that information
18 with a third party, uncontested, and there is absolutely no
19 circumstances here that would suggest that Ms. Soto is about to
20 run off and use the information or share it with anyone else.
21 There is no indicia of that that the Court could rely upon that
22 this is a risk in this particular case that Ms. Soto would do
23 that. There was nothing other than the complete innocent doing
24 of business even if, you know, the forwarding of this
25 occasional email to her private email account was something

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1 that was -- it violated their internal rules.

2 I would say to that, your Honor, though, that as she
3 notes in her declaration, they had rules that stated that AUA
4 periodically monitors the use of email of their employees, you
5 know, regularly looks at this in order to assure themselves
6 that there is compliance. I mean, she was there for years. No
7 one ever came to her and said, oh, by the way, you know that
8 little -- that publication that you forwarded to client A, you
9 used your Gmail account. Don't do that in the future. Just
10 make sure you are very strict about using the AUA work email
11 account. No one ever said that to her. This only became an
12 issue after I sent a detailed letter to them outlining a gender
13 claim, and then they came to this Court seeking this
14 extraordinary relief.

15 The fact of the matter is at the end of the day, when
16 all is said and done, she hasn't shared it with anyone. There
17 is no reason to be concerned that she's going to share it with
18 anyone. There would be occasional using of a Gmail account for
19 business reasons that they never previously challenged her on.
20 And she never gave it to anybody. And their grand example of
21 Ms. Kulaga turns out, as counsel now is forced to concede, you
22 know, there is no evidence that she's done anything improper
23 with a third party or shared it with third parties or anything
24 like that.

25 So, you know, just in sum, your Honor, I think that at

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1 the end of the day, no proprietary information, even the stuff
2 that went to her Gmail account, and, in any event, nothing that
3 was shared with anyone and no risk, of the facts now presented,
4 that she is going to share it with anyone. So --

5 THE COURT: Thank you. Let me ask you about the
6 materials that were described as having been sent by Ms. Soto
7 in the plaintiff's affidavit. They include a reference to the
8 May 2, 2016 email that contained the Master Dashboard
9 spreadsheet which I believe to be the Holy Grail document that
10 counsel described to me at our last conference. That specific
11 email and document wasn't addressed in Ms. Soto's affidavit.
12 Do you have information about that?

13 MR. D. KAISER: I don't, your Honor, but Ms. Soto does
14 and she is here. That's why I brought her. She is happy to be
15 sworn in and talk to you directly about that email.

16 THE COURT: Thank you. If I were to allow you to call
17 her to provide testimony on that, it would open her up to
18 cross-examination by counsel for plaintiff. So I would let you
19 think about whether this is a fact on which you want to present
20 me with contradictory evidence to the evidence that is before
21 me now, which is that Ms. Soto bcc'd -- sorry, sent to her
22 personal account an email with the Master Dashboard
23 spreadsheet.

24 Can I ask a separate question while you are thinking
25 about that? Do you have any issue with the current injunction?

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1 In other words, does Ms. Soto want to have the right to use any
2 of these materials for any purpose?

3 MR. D. KAISER: No, your Honor, other than -- other
4 than for litigation purpose, you know, in the context of a
5 separate litigation that may be coming, to the extent it is
6 relevant, but that would be subject to confidentiality
7 stipulations and the like. So the answer, generally speaking,
8 of course not. No, absolutely not.

9 THE COURT: Thank you. So it does raise the question,
10 then, of whether this set of issues, taking apart the asserted
11 potential employment discrimination related claims, which are
12 not before me, is whether or not the issues that are before me
13 here, namely, the plaintiff's request that Ms. Soto return the
14 records to them and agree not to use them, is something that
15 can be resolved without expensive time-consuming litigation
16 given that, as I understand it, Ms. Soto agrees that she will
17 not use the materials and will not be disclosing them to other
18 persons. Given that, it is not clear to me why, apart from
19 wanting to make sure that the documents are not destroyed in
20 the interim, they wouldn't be capable of being returned to the
21 plaintiffs to retain in their possession.

22 MR. D. KAISER: The answer, your Honor, is there is no
23 reason for it. I offered that to defendants.

24 I'd like, so that in the spirit of expensive
25 litigation, as your Honor just described it, that we can do

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1 this in the context of a stipulation of discontinuance, if
2 that's the relief that they are seeking, so that we are not in
3 this court defending this case beyond those issues. So, yes, I
4 mean, I'm happy to return the documents. She has already
5 represented that she is not going to use them. And, in fact, I
6 believe Ms. Soto feels that she has an obligation to do that
7 whether the Court tells her to do that or not. And she never
8 had any intention of violating those obligations.

9 So, yes, she won't use them. Yes, I'm happy to return
10 what she has as long as, your Honor, we can catalog what I'm
11 returning so in the event that in a separate litigation I seek
12 discovery of that information, I have some record of what
13 actually was returned.

14 THE COURT: Thank you.

15 Counsel for plaintiff, any response?

16 MR. STERN: Yes. First of all, this whole thing about
17 preservation of emails for a potential claim, counsel made that
18 argument at the last hearing --

19 THE COURT: I'm hearing something different here.
20 Just to be clear, the argument made in their papers, namely,
21 that it's a proper use to take documents in connection with
22 potential future litigation, is not one that I understand them
23 to be raising here. Rather, the suggestion, as I hear it, is
24 that he wants to make sure that if the documents are returned,
25 they are not inadvertently destroyed.

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1 MR. STERN: I heard differently. I heard something to
2 the respect of we're going to catalog these emails and the
3 emails that he's going to want to use. Those emails, we are
4 not going to destroy any of those emails and we are happy to
5 catalog what he returns.

6 One of the issues we're going to have is discontinuing
7 this matter. Keeping the status quo I think is something that
8 we can agree to, that she is not going to use it and that the
9 information is going to be returned. I think the fear is we
10 need to have some comfort in that this information has not gone
11 anywhere else.

12 My experience in this court, in a case that we are
13 dealing with right now, is that oftentimes can be alleviated by
14 a third-party vendor doing a search on someone's electronic
15 devices to ensure that that information, that no side has
16 access to this information, to her personal information, and
17 that the information is indeed destroyed or returned back to us
18 in full compliance. So while we're willing to do that, we want
19 to be able to ensure ourselves that they weren't forwarded to
20 any other email accounts and that indeed we've received back
21 all of the information.

22 So I think it's consistent with what counsel was
23 suggesting. We're just suggesting that we, in order for us to
24 I guess discontinue this matter or to have a full resolution,
25 we need to have full comfort that the information is returned

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1 and that no other information has been disseminated, or that
2 information has not been disseminated to any third parties.

3 THE COURT: Thank you. Is plaintiff -- and I just ask
4 out of curiosity, not because I have a view. Is plaintiff
5 willing to take on the cost of such a third-party forensic
6 examination?

7 MR. STERN: I have not discussed it with my clients,
8 but I will.

9 THE COURT: Thank you.

10 Good. I would strongly encourage that conversation.
11 Basically, as I understand the delta between what plaintiffs
12 want and what defendants are willing to do without the cost of
13 litigation is just that forensic examination. Otherwise,
14 plaintiff is agreeing to -- or is willing to hand over the
15 documents with a catalog. Presumably, there is a litigation
16 hold of some sort in place at plaintiff so that the records
17 would not be destroyed so the risk of their improperly being
18 destroyed is limited. But I can understand defendant's desire
19 to have some prophylactic in place in the event that if the
20 unexpected were to occur.

21 So basically the delta between where the parties are
22 is whether or not there is a forensic examination of Ms. Soto's
23 phone, presumably, and computer, and litigation is a costly
24 way, perhaps, to obtain that. But in any event, I hope the
25 parties will discuss that possibility of resolving the matter

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1 as a whole, because, very simply, I appreciate that there is an
2 overlay of the potential discrimination claim but that's not
3 before me. Before me is the set of trade secrets claims and
4 breach of contract claims that led to this request for
5 injunctive relief.

6 Is there any other argument with respect to the
7 requested preliminary injunctive relief? If not, I would
8 expect to take a few moments to contemplate my decision and
9 then come back and rule.

10 Counsel?

11 MR. STERN: Only that just to reply briefly to what
12 counsel said.

13 THE COURT: Take your time.

14 MR. STERN: I think that the fact that this Court has
15 broad discretion to grant this injunctive relief, coupled with
16 the fact that since defendant has not articulated a single
17 reason why they should have this information and why she wants
18 to have this information, it's highly likely that there will be
19 an improper use can be presumed by this Court, considering that
20 there is no reason for her to have this information. Now that
21 she's been willing to return this information, therefore, I
22 think that the temporary injunction that was put into place I
23 think on or around October 23rd should remain in place until
24 either there is going to be resolution or until we start
25 commencing otherwise litigation on this matter.

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1 THE COURT: Thank you. And are you still requesting,
2 counsel, the broader mandatory injunction that you requested in
3 your papers?

4 MR. STERN: I'm sorry.

5 THE COURT: Are you requesting the broader mandatory
6 injunction that you requested in your papers; namely, in
7 addition to enjoining the defendant from using these materials,
8 the request that I order that she return them to plaintiffs and
9 that she permit the forensic examination that you have
10 suggested?

11 MR. STERN: Yes. I think that that would be
12 appropriate, considering that the defendant has not articulated
13 a reason why she should have this information, that there is a
14 highly -- there is a high likelihood that she will use this
15 information for improper use, if she's not going to return it.
16 I believe that rather than inclusive of electronic devices, I
17 think more importantly is that the email -- her Gmail account
18 be searched or that any information residing on her Gmail
19 account in the cloud be returned. I know from personal
20 experience my personal laptop, if I were to lose it tomorrow, I
21 would turn on a new laptop and my email accounts and my
22 documents all come back onto a cloud. So I think it is a
23 little bit less about what is actually on -- it is not only
24 about what's on her electronic device, but if there is
25 information that's residing in a Gmail account, for example,

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1 that's residing in a cloud, that is really the source of where
2 any confidential information should be returned and/or deleted.

3 THE COURT: Thank you. I understand that.

4 As the parties are talking about alternatives, I'll
5 just remind you of the possibility of requesting that the Court
6 enter some sort of consent judgment with permanent injunctive
7 relief with respect to the dissemination of these materials.

8 Counsel for defendant, is there anything that you
9 would like to add?

10 MR. D. KAISER: No. I mean, just very briefly, your
11 Honor.

12 The remedies that they are seeking, as I think I've
13 already articulated, are highly intrusive remedies. I think
14 there has to be a legal basis, a factual basis in law for them,
15 not simply that it would be nice to have and nice to have these
16 prophylactic remedies. There are standards that have to be
17 met. They have to prove by clear and convincing evidence that
18 she has used or will use this information. They have not done
19 so. Prove that she's actually engaged in misconduct by using
20 it for her own benefit or disseminating it to third parties.
21 They have not met that burden.

22 And there is no reason to believe that Ms. Soto, based
23 on what we know, won't respect the confidentiality of the
24 information. So asking for us for a consent decree is one
25 thing, and we certainly will talk about that, as your Honor

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1 suggested and as I've already stated I'm willing to do on
2 certain things, but having the Court order some of these things
3 based on this record, I don't think that it is there, your
4 Honor.

5 THE COURT: Good. Thank you very much.

6 I will be back momentarily after I have considered
7 your arguments. Thank you.

8 THE CLERK: All rise.

9 (Recess)

10 THE COURT: So, thank you very much, counsel, for your
11 patience while I considered your arguments.

12 First, thank you very much for all of your arguments
13 in your presentations. I appreciated them and your
14 submissions.

15 I'm going to grant in part plaintiff's motion for
16 preliminary injunction. I am going to deny the request that I
17 impose mandatory injunctive relief on defendant. I'm going to
18 review in part my analysis of the question now. So, please
19 bear with me as I read you some introductory remarks, then the
20 legal standard. Then I expect to discuss the misappropriation
21 of trade secrets claim under New York law, all in the presence
22 of irreparable harm, all of which an analysis of which has led
23 me to the conclusion that there are sufficiently serious
24 questions going to the merits with respect to the state law
25 trade secrets claim and the balance of hardships that tips in

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1 favor -- the movant's favor and also supports the existence of
2 irreparable harm, but first let me provide some introductory
3 remarks.

4 As the parties know, defendant Astrid Soto was
5 employed by plaintiff, AUA Private Equity Partners, LLC as Vice
6 President of Business Development and Investor Relations from
7 about March 31, 2014 to September 11, 2017. In connection with
8 her employment, Ms. Soto signed three documents that are at
9 issue in this case. First, on March 10, 2014, she executed an
10 Offer Letter that provided, among other things, the following:

11 "By accepting employment with AUA, you understand and
12 agree that you will be privy to certain confidential and
13 proprietary information regarding transactions, investors and
14 other valuable financial and other information regarding the
15 firm and its employees. In consideration of employment and
16 access to such confidential information, you agree that you
17 will not during or after your employment with AUA use such
18 information for any reason other than to further the business
19 of AUA and its affiliates."

20 Second, on September 8, 2015, Ms. Soto signed a
21 confidentiality acknowledgment with respect to the Employee
22 Policies and Procedures Handbook, which stated:

23 "I agree to maintain the confidentiality of any
24 information concerning the Firm which is furnished to me by the
25 Firm, together with analyses, compilations, studies or other

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1 documents and records prepared by me, in a manner consistent
2 with the confidentiality obligations detailed in the Policies
3 and Procedures ... I agreed to abide by the rules, obligations,
4 duties, policies and standards set forth with respect to
5 confidential information in the Policies and Procedures."

6 AUA's Policies and Procedures states, among other
7 things:

8 The Firm's confidential information and intellectual
9 property, including trade secrets, are extremely valuable to
10 the Firm. You must treat them accordingly and not jeopardize
11 them through your use of your device. Disclosure of Firm's
12 confidential information to anyone outside the Firm and use of
13 the Firm's intellectual property for matters unrelated to the
14 Firm's business is prohibited."

15 Finally, on February 25, 2017, Ms. Soto executed an
16 "Employee Acknowledgment of Receipt" of the AUA Supervisory
17 Procedures and Compliance Manual. That manual sets forth AUA's
18 email retention policy, which directed employees to "refrain
19 from conducting business through any communications network not
20 maintained by the investment adviser." I emphasize here that
21 the document that she signed was a "acknowledgment of receipt"
22 of that manual.

23 During the course of her employment, Ms. Soto was
24 given access to confidential and proprietary information
25 relating to AUA's business, including confidential internal

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1 strategic information, confidential investor information, and
2 confidential business information. Ms. Soto also possessed
3 investor reports, investor contact information, investor
4 commitment amounts, and other proprietary and confidential
5 documents and information that AUA alleges constitute the
6 business's trade secrets.

7 Ms. Soto was terminated from her employment on
8 September 11, 2017. As I said earlier, AUA alleges that
9 between early 2014 and her termination, Ms. Soto
10 misappropriated confidential and proprietary information by
11 forwarding emails from her AUA email account to her personal
12 email address and by copying a former AUA employee, who the
13 complaint asserts is believed to work for a competitor of AUA
14 on some of those emails. As we established during today's
15 conference, however, the former AUA is currently a former AUA
16 employee but she was not a former AUA at the time that the
17 emails were forwarded to her. Instead, she was a then current
18 employee. AUA also alleges that Ms. Soto uploaded proprietary
19 AUA files from her work laptop to her personal Google drive
20 account. According to AUA, many of the emails and other files
21 that remain in Ms. Soto's possession contain sensitive and
22 confidential information owned and controlled by AUA.

23 On October 23, 2017, I granted AUA's request for a
24 temporary restraining order. That restraining order expires
25 today.

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1 As I stated earlier during today's proceedings, among
2 the facts that were not clear to the Court at the time is that
3 Ms. Kulaga was at the time of the emails forwarding to her then
4 an AUA employee.

5 AUA now moves for an order: (1) prohibiting Ms. Soto
6 from possessing, disclosing, reviewing, and actual or
7 threatened use and/or misappropriation of AUA's confidential
8 information, trade secrets, documents or data; (2) requiring
9 the immediate return to AUA of any and all of its confidential
10 information and property; (3) appropriate assurances to ensure
11 compliance with the Court's order; (4) requiring Ms. Soto and
12 her counsel to certify to the Court that they have permanently
13 deleted any and all AUA confidential information from her
14 devices; (5) awarding AUA attorneys' fees and costs in bringing
15 this motion; and (6) such other relief as the Court deems just
16 and proper.

17 First, as I have noted during the course of the
18 conference, while I appreciate the information that the
19 defendant and the parties have provided with respect to
20 Ms. Soto's potential employment discrimination claim, that
21 information provides some context, but I'm only considering the
22 matter that's before the Court, namely, AUA's motion for
23 preliminary injunctive relief in connection with an asserted
24 breach of contract and breach of trade secrets claims.

25 Now, the legal standards governing preliminary

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1 injunctions and temporary restraining orders in the Second
2 Circuit are the same. See, e.g., Local 1814, International
3 Longshoremen's Association v. New York Shipping Association,
4 Inc., 965 F.2d 1224, 1228 through 1229 (2d Cir. 1992). A
5 preliminary injunction "is an extraordinary and drastic remedy,
6 one that should not be granted unless the movant by a clear
7 showing carries the burden of persuasion." Grand River
8 Enterprise Six Nations, Ltd. v. Pryor, 481 F.3d 60, 66 (2d Cir.
9 2007) (per curiam) (internal quotation marks omitted).

10 Generally, a party seeking a preliminary injunction
11 must demonstrate: "(1) either (a) a likelihood of success on
12 the merits or (b) sufficiently serious questions going to the
13 merits to make them a fair ground for litigation and a balance
14 of hardships tipping decidedly in the movant's favors, and (2)
15 irreparable harm in the absence of the injunction." Faiveley
16 Transport Malmo AB v. Wabtec Corp., 559 F.3d 110, 116 (2d Cir.
17 2009) (citation and internal quotation marks omitted).

18 However, "the burden is even higher" when a party seeks "a
19 mandatory preliminary injunction that alters the status quo by
20 commanding some positive act, as opposed to a prohibitory
21 injunction seeking only to maintain the status quo." Cacchillo
22 v. Insmid, 638 F.3d 401, 406 (2d Cir. 2011) (quoting Citigroup
23 Global Markets, Inc. v. VCG Special Opportunities Master Fund
24 Ltd., 598 F.3d 30, 35 N. 4 (2d Cir. 2010). To meet that higher
25 burden, a party seeking a mandatory injunction must show a

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1 "clear or substantial likelihood of success on the merits."
2 Doninger v. Neihoff, 527 F.3d 41, 47 (2d Cir. 2008) (internal
3 quotations and citations omitted).

4 Here, AUA's seeks an order that not only prohibits
5 Ms. Soto from possessing, disclosing, reviewing, or using AUA's
6 confidential information and trade secrets, but that also
7 imposes certain affirmative obligations on Ms. Soto.
8 Therefore, in order to secure all of the relief requested, AUA
9 must meet the more stringent mandatory injunction standard and
10 show a substantial likelihood of success on the merits in
11 addition to irreparable harm.

12 Now, plaintiff has alleged causes of action for
13 violations of the Defend Trade Secrets Act of 2016, breach of
14 contract, and misappropriation of trade secrets under New York
15 law. And for the sake of efficiency for the parties and their
16 time, I'm not going to run through my analysis of all of those
17 causes of action now. Instead, I'm going to focus in
18 particular on the claim with respect to a misappropriation of
19 trade secrets under New York law. And I believe, as I said
20 earlier, that the plaintiff has demonstrated sufficiently
21 serious questions going to the merits to make them a fair
22 ground for litigation, a balance of hardships tipping decidedly
23 in movant's favor.

24 I am not finding a likelihood of success on the merits
25 or a substantial likelihood of success on the merits on the

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1 record before me, given the lack of clear evidence regarding
2 improper use of the materials at this time. However, I believe
3 that there is sufficient evidence to justify a finding that
4 there are substantially sufficiently serious questions going to
5 the merits to make it a fair grounds for litigation.

6 To succeed on a claim for the misappropriation of
7 trade secrets under New York law, a party must demonstrate:
8 "(1) that it possessed a trade secret, and (2) that the
9 defendants used that trade secret in breach of an agreement,
10 confidential relationship or duty, or as a result of discovery
11 by improper means." North Atlantic Instruments, Inc. v.
12 Haber, 188 F.3d 38, 43-44 (2d Cir. 1999) (citing Hudson Hotels
13 Corp. v. Choice Hotels International, 995 F.2d 1173, 1176 (2d
14 Cir. 1993)).

15 First, with respect to the existence of a trade
16 secret, I'll simply say: "A trade secret is 'any formula,
17 pattern, device or compilation of information which is used in
18 one's business and which gives [the owner] an opportunity to
19 obtain an advantage over competitors who do not know or use
20 it.'" Id. at 44 (quoting Softel, Inc. v. Dragon Medical &
21 Scientific Communications, Inc., 118 F.3d 955, 968 (2d Cir.
22 1997)) "In determining whether information constitutes a trade
23 secret, New York courts have considered the following factors:
24 (1) the extent to which the information is known outside the
25 business; (2) the extent to which it is known by employees and

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1 others involved in the business; (3) the extent of measures
2 taken by the business to guard the secrecy of the information;
3 (4) the value of the information to the business and its
4 competitors; (5) the amount of effort or money expended by the
5 business in developing the information; (6) the ease or
6 difficulty with which the information could properly be
7 acquired or duplicated by others." Id. (Internal quotations
8 and citations omitted.)

9 "A customer list developed by a business through
10 substantial effort and kept in confidence may be treated as a
11 trade secret and protected at the owner's instance against
12 disclosure to a competitor, provided the information it
13 contained is not otherwise readily ascertainable." Defiance
14 Button Machine Co. v. C & C Metal Products Corp., 759 F.2d
15 1053, 1063 (2d Cir.) (Internal quotations and citations
16 omitted).

17 Here, the Master Dashboard and investor list described
18 by AUA is likely to be found to constitute a trade secret under
19 New York law. The information is disclosed to a "small and
20 exclusive group of investment and other professionals within
21 the company" and is therefore not likely to be known outside of
22 AUA. The information is highly confidential and includes
23 internal strategic information, prospective investor lists, and
24 potential and actual business opportunities. AUA has taken
25 various security measures to ensure the protection of its

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1 information, likely making it difficult for others to properly
2 acquire or duplicate the information. Therefore, the factors
3 articulated by the Court in North Atlantic Instruments weigh in
4 favor of finding the existence of a trade secret with respect
5 to that information.

6 Now, I believe that a sufficient substantial question
7 related to the merits of the issue has been raised, although
8 there are some questions regarding the scope and extent of the
9 use by Ms. Soto of the trade secret, but I think that that's a
10 question that is fair ground for litigation here. And, in
11 terms of the balance of the hardships, they clearly tilt
12 strongly in favor of the plaintiffs here.

13 Ms. Soto has no use for this information. She asserts
14 that she has no expectation of using it or disclosing it to any
15 person. So, the balance of hardships by imposing this
16 injunctive relief as requested tilts strongly in favor of the
17 plaintiff, and there seems to be no counterbalancing factor on
18 the side of the ledger on account of Ms. Soto.

19 With respect to irreparable harm, "The showing of
20 irreparable harm is the single most important prerequisite for
21 the issuance of a preliminary injunction." Grand River
22 Enterprise, 481 F.3d at 66 (internal quotation marks and
23 citations omitted). The Second Circuit has defined
24 "irreparable harm" as "certain and imminent harm for which a
25 monetary award does not adequately compensate." Wisdom Import

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1 Sales Co., LLC v. Labatt Brewing Co., Ltd., 339 F.3d 101, 113.
2 In other words, "where money damages are adequate compensation
3 a preliminary injunction should not issue." JSG Trading Grp.
4 v. Tray-Wrap Inc., 917 F.2d 7579.

5 As described during our prior conference, irreparable
6 harm is presumed where a trade secret has been misappropriated
7 because "As the Court of Appeals for the Second Circuit has
8 explained, a trade secret once lost is lost forever." Estee
9 Lauder Companies, Inc. v. Batra, 430 F.Supp.2d. (S.D.N.Y.
10 2006).

11 Now, here, because a trade secret has been allegedly
12 misappropriated, irreparable harm is presumed. Nonetheless, I
13 can conclude that AUA has also sufficiently demonstrated that
14 it will suffer the following in the absence of injunction: The
15 possibility of loss of consumer relationships or goodwill, loss
16 of competitive position in the industry and other competitive
17 harm for AUA for which monetary damages would not be
18 appropriate in the event that Ms. Soto further disseminates or
19 permits to be disclosed the information that she has taken.

20 So, I'm going to grant the requested relief in part.
21 I am going to continue the existing TRO in accordance with its
22 current terms. I am denying, however, the requested mandatory
23 injunction because I can't conclude on this record that the
24 plaintiffs made a sufficient showing to justify the entry of a
25 mandatory injunction.

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1 So, I'll issue a separate order that continues the
2 current injunction as we continue to litigate the case.

3 So, just a few moments -- a few comments, rather,
4 before we adjourn and I'd like to hear from the parties
5 regarding your views on next step.

6 I raise the question with respect to jurisdiction. At
7 this point, I'm working with the plaintiff's prima facie
8 showing on the basis of the complaint. There, as the parties
9 know, I am a court of limited jurisdiction. If it turns out
10 that there is no claim under the federal statute because there
11 has been no use, disclosure or use of a trade secret within the
12 time period after the effective date of the Trade Secrets Act,
13 then I might be left with no jurisdiction in the case. I would
14 invite the parties to consider that issue, and if there is a
15 motion to be brought, to let me know about it. I have some
16 concern, as the parties will appreciate, that we may go far
17 down the road in this case only to discover that there is no
18 basis for the case to be here and so I raise the issue, as I
19 did during our colloquy earlier.

20 Second, to the extent that the parties have the
21 opportunity to talk about an amicable resolution of this case,
22 I would encourage it. The mandatory relief that plaintiff is
23 seeking, that I have been unable to grant as a matter of law
24 based on the record before me, is something that defendant is
25 volunteering for free for all purposes other than the forensic

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1 examination, and it's for the parties to determine whether a
2 more efficient resolution of that issue can be found through
3 means other than litigation.

4 So long as the case is pending before me, I'm going to
5 have the parties working. So my expectation is that my next
6 step in the case will be to issue an initial pretrial
7 conference order, have the parties here, set a discovery
8 schedule, and to begin litigation of these issues in full in
9 this case in this court, and from that we'll determine what the
10 appropriate remedies are.

11 Is there anything else that we should discuss.
12 Counsel for plaintiff?

13 MR. STERN: Nothing further, your Honor.

14 THE COURT: Thank you.

15 Counsel for defendant?

16 MR. D. KAISER: Nothing further, your Honor.

17 THE COURT: Good. Thank you, all.

18 This proceeding is adjourned.

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